



BUSINESS PLANNING

Disclosure

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Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.

Let's get started

- What is the best thing happening in your business right now?
- What is your biggest roadblock?
- What were you hoping to accomplish in coming to this roundtable?

A look ahead



- 53% of owners want to sell/transfer their business within the next 10 years
- 80% of owners want to stop working in their business within the next 10 years
- 100% of owners will leave their business whether planned or otherwise

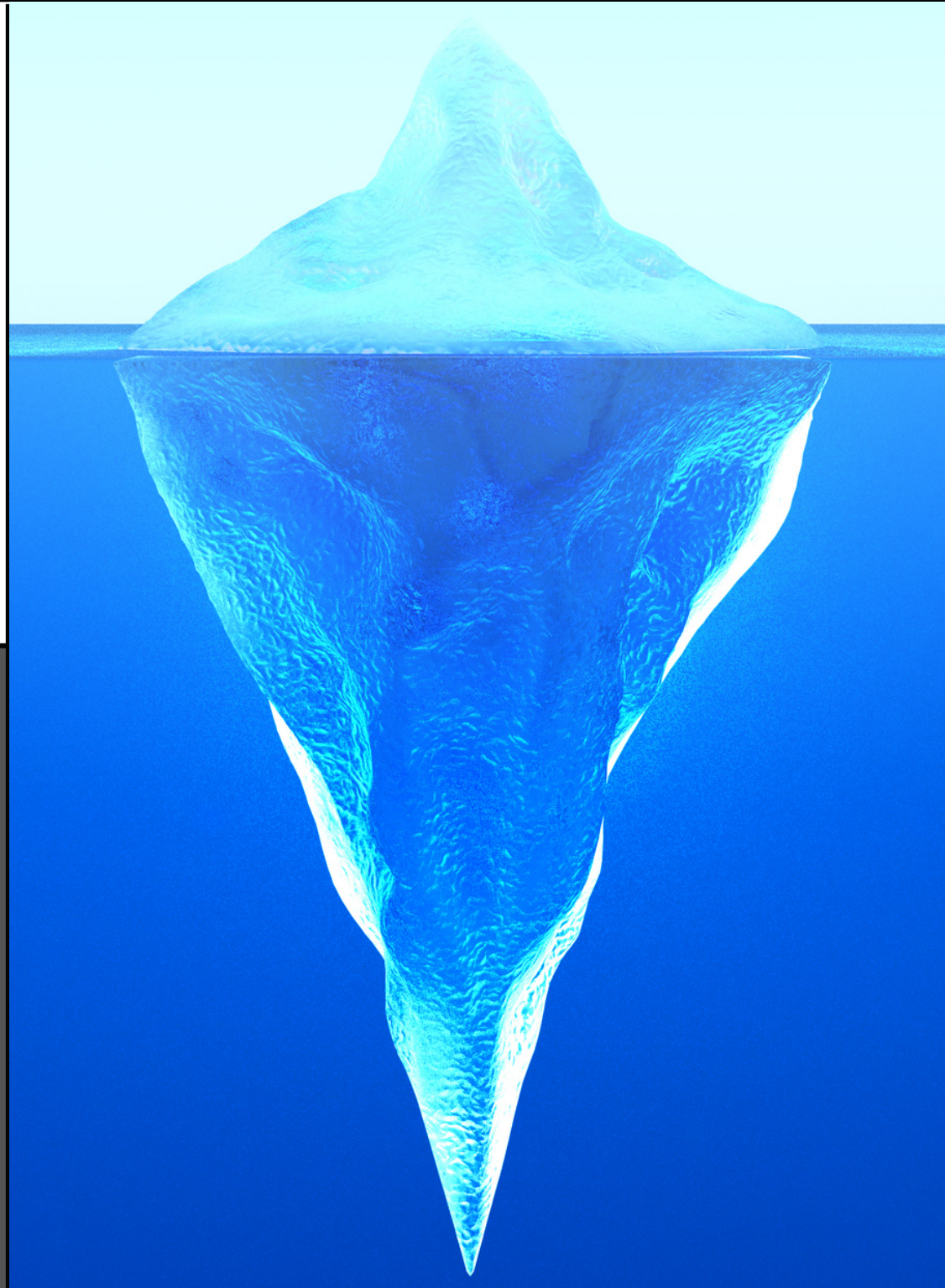
When the time comes

Issue #1

Not allowed themselves enough **time** to position their business for transition, minimize taxes, and maximize net proceeds

Issue #2

Being **unprepared** when an unplanned event affects them and forces them into an exit that isn't on their terms or timeline



Issue #3

Unable to complete a sale to a 3rd party because the business is unable to pass the **due diligence** test in a timely manner

Issue #4

Eliminated inside options (family member, management team, employees) due to:

- business **cannot operate** without them
- potentially **undercapitalized**
- has **insufficient cash flow**
- too much **risk to success** with inside option

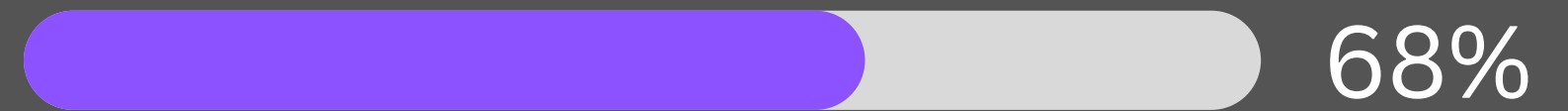
The overwhelming majority

95% of
respondents said
having a transition
strategy both
personally and for
the business was
important

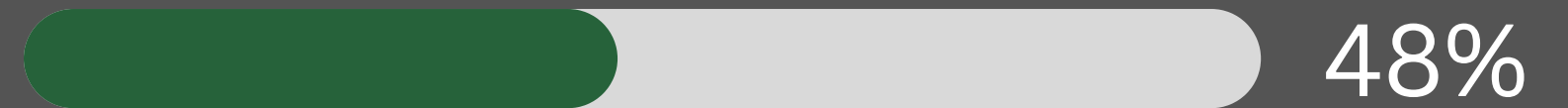


And yet....

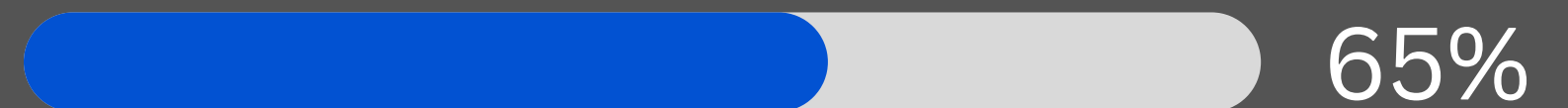
Spent minimal time and attention on their exit



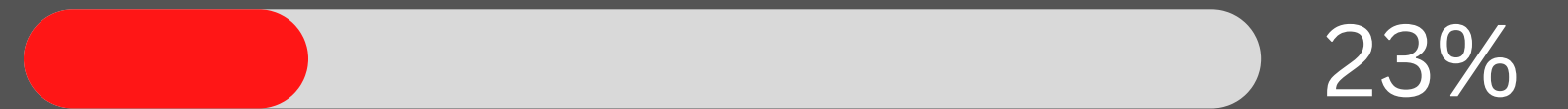
Have no written financial plan



Have no formal or written transition plan



Have not considered a plan



Do not have an exit focused team of advisors



Common roadblocks

"I don't feel like I need to think about these issues yet"

"It's an uncomfortable conversation with my family/business partner"

"I don't have extra money to put toward addressing these issues"

"I'm too busy with the day-to-day management of the business that I don't have time"



"I would not know where to go for help"

Common motivators

"I want to protect my family"

"I was doing personal planning and it prompted me to think about business planning"

"I want to protect my employees"

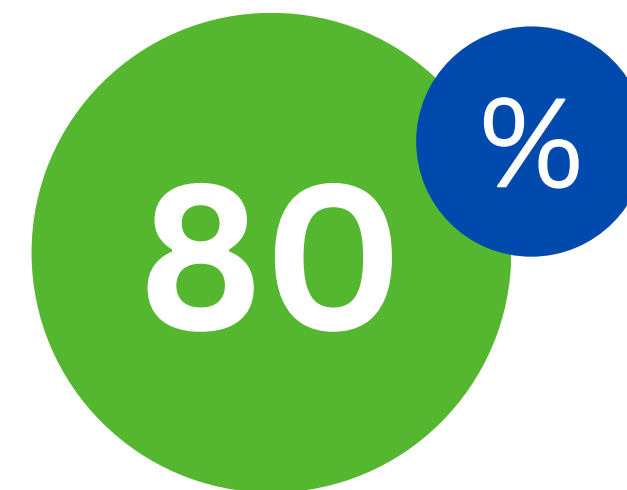
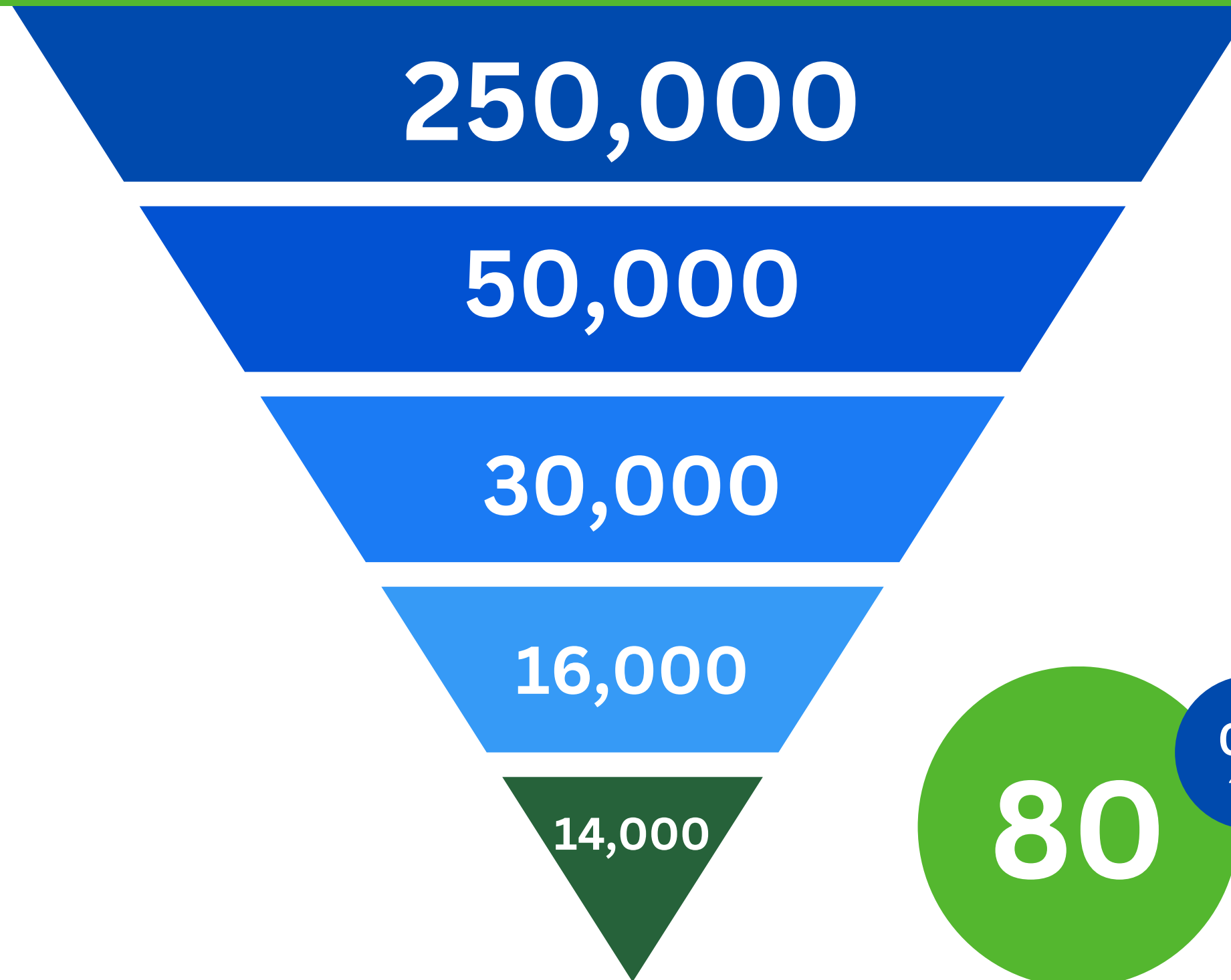
"I want to protect my business"



"A trusted source brought it up to me"

When the time comes

Nearly 60% of business owners say they plan to sell their businesses*



of businesses put up for sale don't sell**

Why?

MassMutual Business Owner Perspectives Study, 2018*
Exit Planning Institute, State of Owner Readiness Survey, 2018**

A tough question

Do you have a
lifestyle business?

OR

Are you building
enterprise value?

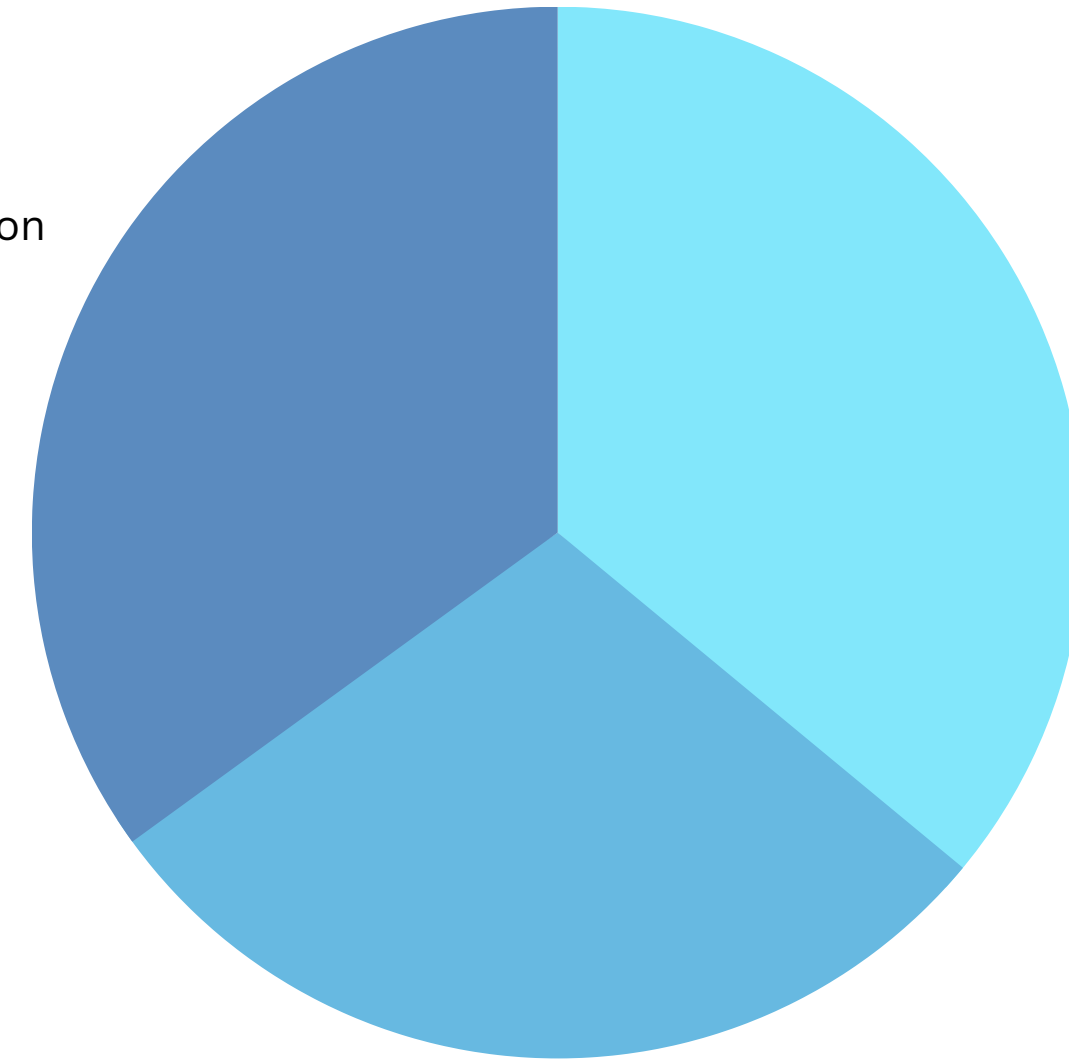
- Most or all decisions made by owner
 - Business plan
 - Personnel
 - Goal setting
- Majority of income distributed
- Growth requires owner's active participation
- Owner serves multiple "C-suite" roles (CEO, COO, CFO, etc.)

- Strong leadership team in place
- Clear accountability chart and areas of ownership for management
- Written policies and procedures followed by all
- Strong balance sheet and business re-investment strategy

Determining value

- Rule of Thumb
 - EBITDA during growth stage
 - EBITDA during transfer stage
- How to Choose?
 - Book Value
 - Liquidation Value
 - Book Value + Goodwill
 - Earnings Capitalization
 - Fair Market Value

Independent Valuation
35%



No Specific Method
36%

Informal Method
29%

*Source: Spardata

BEI Business Owner Study 2022

And when an owner values themselves...58.3% S.D.*

The 4 "Cs"

Up to 80% of company value is derived from intangible assets*

Human Capital

Structural Capital

Customer Capital

Social Capital

Stages of value maturity

1. Identify all assets and their value.
2. Protect the value by mitigating personal, financial and business risks.
3. Build the value by prioritizing strategic actions that impact cash flow and improvements to the multiple.
4. Harvest the value by exploring ways to extract the wealth trapped in the business.



What are the value drivers?

Added Value:

- Growth
- Dominant market share
- Recurring revenue
- Barriers to entry
- Product differentiation
- Margin advantage
- Innovation
- Brand

Value Neutral:

- Sales and Marketing
- Customer Satisfaction
- HR

Value Detractors:

- Senior Management
- Customer diversification
- Legal
- Financial
- Operations
- Large potential market

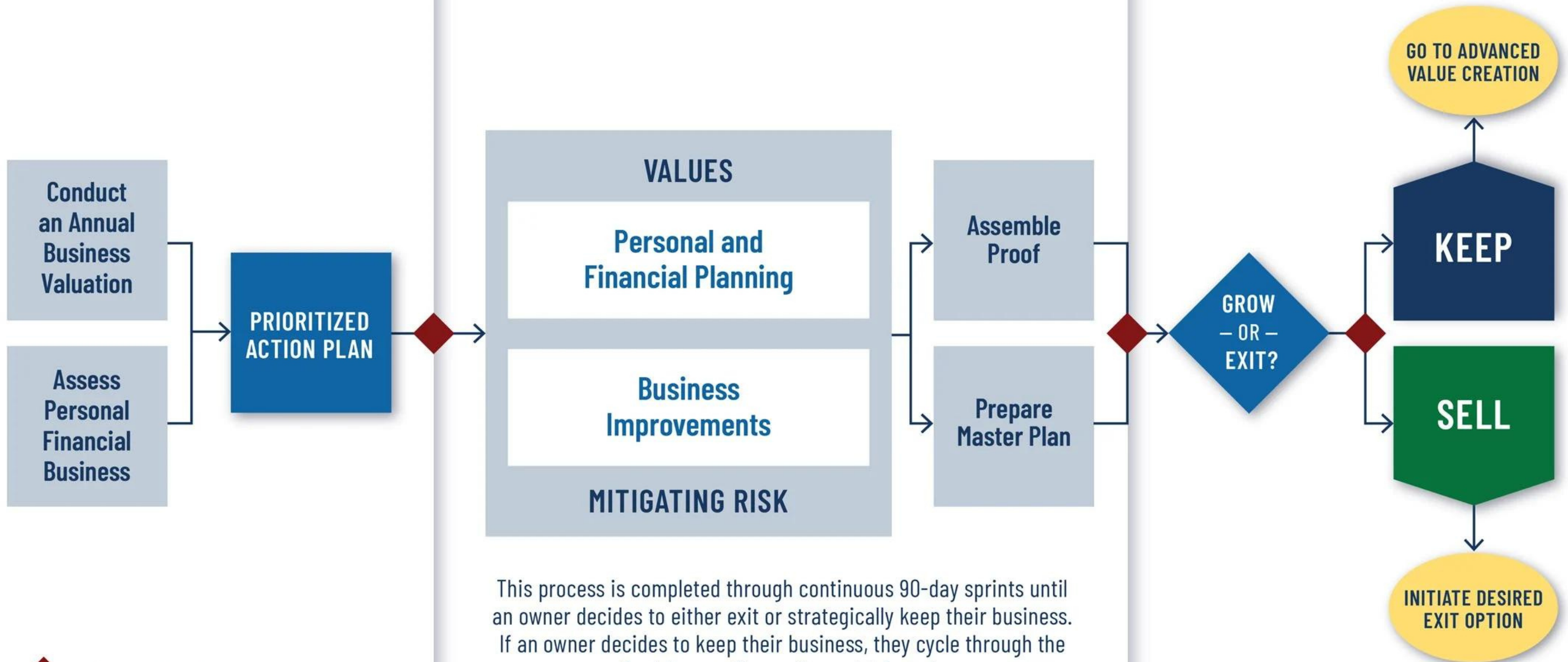


THE VALUE ACCELERATION METHODOLOGY

DISCOVER

PREPARE

DECIDE



 **KEY MILESTONE**

This process is completed through continuous 90-day sprints until an owner decides to either exit or strategically keep their business. If an owner decides to keep their business, they cycle through the methodology until an exit event takes place.

Questions?



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